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August 4, 1997

**VIA HAND DELIVERY**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, DC 20554

RECEIVED

AUG - 4 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: *Ex Parte Submission of the Republic of Panama in the Matter of  
International Settlement Rates, IB Docket No. 96-261*

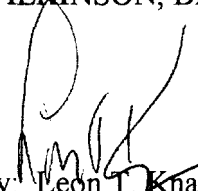
Dear Mr. Caton:

Please find enclosed an original and one copy of the Ex Parte Submission of the Republic of Panama in the matter of International Settlement Rates, IB Docket No. 96-261.

Should you have any questions about this matter, please contact the undersigned counsel.

Sincerely,

WILKINSON, BARKER, KNAUER & QUINN

By:  Leon T. Knauer

Enclosure

cc: Congressman Cliff Stearns

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*República de Panamá*  
**ENTE REGULADOR DE LOS SERVICIOS PUBLICOS**

Edificio Discount Bank, Calle 50, Apartado 4931, Panamá 5, Panamá, Tel. (507)265-3555, Fax (507) 265-3511, [http://www.sinfo.net/ente\\_reg](http://www.sinfo.net/ente_reg)

***Despacho del Director Presidente***

July 28, 1997

No. DPER-641

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N.W., Room 814  
Washington, D.C. 20554

RECEIVED

AUG - 4 1997

FILED IN THE OFFICE OF THE  
DIRECTOR GENERAL

RE: In the Matter of International Settlement Rates  
IB Docket No. 96-261

Dear Chairman Hundt:

This correspondence is in regard to the above referenced rulemaking which requires that U.S. carriers change the settlement rates they pay to foreign carriers to terminate their international traffic. I understand that the Federal Communications Commission is currently considering to impose the new rate rather than allow for negotiation of rates between parties. I also understand that the Commission is considering a more flexible approach in this regard towards developing countries that have demonstrated a commitment to fostering a competitive market environment, and that have permitted foreign investment in their telecommunications sectors.

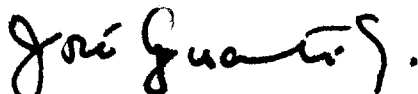
United States Congressman Cliff Stearns recently brought this matter to your attention in his correspondence dated June 5, 1997. In that letter, Congressman Stearns urged the Commission to adopt the proposed exceptions for less developed countries that have made a commitment toward liberalization of their telecommunications sectors, and that parameters of the exception be clarified so that countries such as Panama can be assured that their efforts will not be impeded or disrupted. Adoption of this proposal creates incentives to encourage countries, such as Panama, that are working towards liberalization to expedite and continue to pursue those efforts.

As the Chairman of the Panamanian Public Service Commission, I understand firsthand the unique problems facing less developed countries in this regard, and urge you to lend support to Congressman Stearns' proposal. Less developed countries differ from developed countries in that they require a longer transition period to adjust to the elimination of cross-subsidization of local service by relatively high international calling rates. The adoption of any policy short of an exception for certain developing countries to the relatively short three-year transition period contained in the Commission's Notice of Proposed Rulemaking ("NPRM"), could undermine agreements with investors and inhibit liberalization and privatization efforts in those countries.

To illustrate, consider the recent step Panama took on May 20, in liberalizing and privatizing its government-owned telephone company, INTEL, S.A., by accepting a bid by Cable & Wireless to purchase a 49% stake in the company. The privatization of INTEL, S.A., is one of a number of steps in the five year transition towards the full liberalization of the telecommunications sector in Panama, and in addition, Panama has made immediate arrangements for full competition in the provision of a number of telecommunications services. The agreement negotiated with Cable & Wireless calls for a restructuring of Panama's telephone rates, including the accounting rate, over a five- year period rather than the three-year period proposed by the Commission. The five-year transition period was the result of arduous negotiations with the investors and represents the final compromise that was reached between the parties. The Commission issued its NRPM in this proceeding in December, well before the privatization in Panama. The complex mechanisms and negotiations that led to the privatization, however, were well under way before the May 20 purchase of INTEL, S.A. Without any exception, the agreement reached by Cable & Wireless and Panama, along with the plan for liberalization of Panama's telecommunications sector will be adversely impacted.

On behalf of the Panamanian Public Service Commission, I strongly urge the Commission to support Congressman Stearns' proposal that the Commission's final rule in this matter contain the proposed exception for less developed countries that have made a commitment toward liberalization of their telecommunications sectors, and that the parameters of this exception be clarified so that countries such as Panama can be assured that their efforts will not be impeded or disrupted. In the interest of encouraging other countries working towards liberalization, but which have not yet made the strides Panama has in this regard, I urge you to support Congressman Stearns' proposal and adopt a policy which will create incentives to encourage those countries to quickly move forward with those efforts.

Sincerely,

A handwritten signature in dark ink, appearing to read "José Guanti G.", with a stylized flourish at the end.

*José Guanti G.*

*President Director*

## **CERTIFICATE OF SERVICE**

I, Marilyn D. Garrett, hereby certify that I have served a copy of the Ex Parte Submission of the Republic of Panama in the Matter of International Settlement Rates, IB Docket No. 96-261, on this fourth day of August, 1997, upon the following parties:

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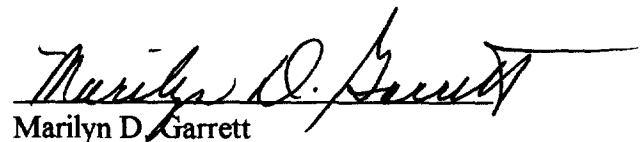
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